



WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Cloud Area Fire Department	County Newaygo
Audit Date March 31, 2005	Opinion Date May 6, 2005	Date Accountant Report Submitted to State: June 3, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 6, 2005

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of White Cloud Area Fire Department, Newaygo County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Cloud Area Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the White Cloud Area Fire Department, Newaygo County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the White Cloud Area Fire Department covers the Fire Department's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net capital assets at March 31, 2005, totaled \$527,734.45, an increase from March 31, 2004, of \$275,257.00. During the year we purchased a new fire truck at a cost of \$217,500.00. The truck was paid for in cash from the Capital Acquisition Fund. We sold two (2) fire trucks for a total of \$3,600.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the White Cloud Area Fire Department and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the White Cloud Area Fire Department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the White Cloud Area Fire Department as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Department's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Department are reported as governmental activities.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the White Cloud Area Fire Department's funds, focusing on significant (major) funds not the Department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The White Cloud Area Fire Department has the General Fund, Building Fund, Budget Stabilization Fund, Auxiliary Fund, Firemen Fund, and the Capital Acquisition Fund.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT AS A WHOLE

The Fire Department received two (2) grants this year. A DNR grant for \$1,749.00 with which we purchased a foam system which is installed on truck 1830. There was a 50% match for this grant. The second grant was from FEMA for \$86,467.00 with a 10% match of \$9,607.00. This grant replaced fifteen (15) SCBA's with harnesses, and purchased both a stationary and portable air fill and containment system. The 3 phase service was upgraded to 100 Amp service. Also purchased were yellow coveralls, pagers, six (6) sets of turnout gear and miscellaneous equipment.

The operation of the Fire Department is funded by an amount equal to 1.5 mills from the City of White Cloud, the Townships of Everett, Lincoln and Wilcox, and that portion of Sherman Township in the Fire District.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT'S FUNDS

The General Fund pays for most of the Fire Department's governmental services. The most significant expense incurred was \$75,565.00 for capital outlay.

At year end the Fire Department has \$4,199.60 in the Capital Acquisition Fund. We have no liabilities.

The Fire Department has a Budget Stabilization Fund of \$7,000.00.

The Fire Department also has a Building Fund of \$15,682.27, which has been funded by fund raisers and private donations. No governmental money has been deposited in this fund.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Department's governmental activities invested \$297,565.00 in capital assets.

The Fire Department had no activity on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors affecting future operations.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

If you have questions concerning this report, please contact the Fire Department Treasurer at P.O. Box 911, White Cloud, Michigan 49349.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>33 231 53</u>
Total Current Assets	<u>33 231 53</u>
NONCURRENT ASSETS:	
Capital Assets	801 362 45
Less: Accumulated Depreciation	<u>(273 628 00)</u>
Total Noncurrent Assets	<u>527 734 45</u>
TOTAL ASSETS	<u><u>560 965 98</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	527 734 45
Unrestricted	<u>33 231 53</u>
Total Net Assets	<u>560 965 98</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>560 965 98</u></u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants - Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Public safety	<u>174 681 19</u>	<u>144 682 58</u>	<u>88 216 14</u>	<u>58 217 53</u>
Total Governmental Activities	<u>174 681 19</u>	<u>144 682 58</u>	<u>88 216 14</u>	<u>58 217 53</u>
General Revenues:				
Interest				1 259 94
Miscellaneous				<u>31 233 51</u>
Total General Revenues				<u>32 493 45</u>
Change in net assets				90 710 98
Net assets, beginning of year				<u>470 255 00</u>
Net Assets, End of Year				<u>560 965 98</u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Building</u>	<u>Budget Stabilization</u>	<u>Auxiliary</u>
<u>Assets</u>				
Cash in bank	<u>64 85</u>	<u>15 682 27</u>	<u>7 000 00</u>	<u>3 961 33</u>
Total Assets	<u>64 85</u>	<u>15 682 27</u>	<u>7 000 00</u>	<u>3 961 33</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>64 85</u>	<u>15 682 27</u>	<u>7 000 00</u>	<u>3 961 33</u>
Total fund equity	<u>64 85</u>	<u>15 682 27</u>	<u>7 000 00</u>	<u>3 961 33</u>
Total Liabilities and Fund Equity	<u>64 85</u>	<u>15 682 27</u>	<u>7 000 00</u>	<u>3 961 33</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 33 231 53

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	801 362 45
Accumulated depreciation	<u>(273 628 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 560 965 98

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Building</u>	<u>Budget Stabilization</u>	<u>Auxiliary</u>
Revenues:				
City of White Cloud	23 430 18	-	-	-
Township of Everett	45 254 32	-	-	-
Township of Lincoln	36 912 25	-	-	-
Township of Sherman	14 200 00	-	-	-
Township of Wilcox	24 885 83	-	-	-
Federal grant	86 467 00	-	-	-
State grant	1 749 14	-	-	-
Interest	439 06	-	194 55	-
Miscellaneous	<u>5 134 41</u>	<u>7 519 77</u>	<u>-</u>	<u>7 249 42</u>
Total revenues	<u>238 472 19</u>	<u>7 519 77</u>	<u>194 55</u>	<u>7 249 42</u>
Expenditures:				
Fire protection:				
Administrative Board:				
Per diem	3 620 00	-	-	-
Bookkeeper	6 245 70	-	-	-
Fire run reports	1 269 00	-	-	-
Supplies	576 29	-	-	-
Audit	1 800 00	-	-	-
Printing and publishing	72 00	-	-	-
Miscellaneous	625 38	-	-	-
Building and grounds:				
Supplies	457 90	-	-	-
Utilities	6 683 98	-	-	-
Repairs and maintenance	4 095 41	-	-	-
Miscellaneous	269 10	-	-	-
Fire Department:				
Salaries	4 296 40	-	-	-
Wages – firefighters	24 852 10	-	-	-
Supplies	44 654 22	1 141 44	-	4 836 13
Transportation	960 51	-	-	-
Maintenance	15 801 70	-	-	-
Miscellaneous	1 662 81	-	-	-
Training	1 710 00	-	-	-
Insurance and fringes:				
Social security	3 309 07	-	-	-
Insurance	21 505 93	-	-	-
Capital outlay	<u>75 565 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>220 032 50</u>	<u>1 141 44</u>	<u>-</u>	<u>4 836 13</u>
Excess (deficiency) of revenues over expenditures	<u>18 439 69</u>	<u>6 378 33</u>	<u>194 55</u>	<u>2 413 29</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
-	-	23 430 18
-	-	45 254 32
-	-	36 912 25
-	-	14 200 00
-	-	24 885 83
-	-	86 467 00
-	-	1 749 14
626 33	-	1 259 94
<u>8 393 34</u>	<u>2 936 57</u>	<u>31 233 51</u>
<u>9 019 67</u>	<u>2 936 57</u>	<u>265 392 17</u>
-	-	3 620 00
-	-	6 245 70
-	-	1 269 00
-	-	576 29
-	-	1 800 00
-	-	72 00
-	-	625 38
-	-	457 90
-	-	6 683 98
-	-	4 095 41
-	-	269 10
-	-	4 296 40
-	-	24 852 10
-	1 928 12	52 559 91
-	-	960 51
-	-	15 801 70
-	-	1 662 81
-	-	1 710 00
-	-	3 309 07
-	-	21 505 93
<u>220 000 00</u>	<u>2 000 00</u>	<u>297 565 00</u>
<u>220 000 00</u>	<u>3 928 12</u>	<u>449 938 19</u>
<u>(210 980 33)</u>	<u>(991 55)</u>	<u>(184 546 02)</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Building</u>	<u>Budget Stabilization</u>	<u>Auxiliary</u>
Other financing sources (uses):				
Operating transfers in	194 55	141 00	-	-
Operating transfers out	<u>(19 112 81)</u>	<u>-</u>	<u>(194 55)</u>	<u>(141 00)</u>
Total other financing sources (uses)	<u>(18 918 26)</u>	<u>141 00</u>	<u>(194 55)</u>	<u>(141 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(478 57)	6 519 33	-	2 272 29
Fund balances, April 1	<u>543 42</u>	<u>9 162 94</u>	<u>7 000 00</u>	<u>1 689 04</u>
Fund Balances, March 31	<u><u>64 85</u></u>	<u><u>15 682 27</u></u>	<u><u>7 000 00</u></u>	<u><u>3 961 33</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Acquisition</u>	<u>Other Funds</u>	<u>Total</u>
19 112 81	-	19 448 36
-	-	(19 448 36)
<u>19 112 81</u>	<u>-</u>	<u>-</u>

(191 867 52)	(991 55)	(184 546 02)
<u>196 067 12</u>	<u>3 315 03</u>	<u>217 777 55</u>
<u>4 199 60</u>	<u>2 323 48</u>	<u>33 231 53</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (184 546 02)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(22 308 00)
Capital Outlay	<u>297 565 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>90 710 98</u></u>
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The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the White Cloud Area Fire Department, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Department contain all the Fire Department funds and account groups that are controlled by or dependent on the Fire Department's executive or legislative branches.

The reporting entity is the White Cloud Area Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles	10-20 years
Equipment	3-20 years

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Department provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Fire Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Fire Department's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Fire Department's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Fire Department's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$527,734.45.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>33 231 53</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	61 588 14
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>61 588 14</u>

The Fire Department did not have any investments as of March 31, 2005.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 4 – Capital Assets

Capital asset activity of the Fire Department's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Vehicles	408 002 00	223 500 00	-	631 502 00
Equipment	<u>95 795 45</u>	<u>74 065 00</u>	-	<u>169 860 45</u>
Total	503 797 45	297 565 00	-	801 362 45
Accumulated Depreciation	<u>(251 320 00)</u>	<u>(22 308 00)</u>	-	<u>(273 628 00)</u>
Net Capital Assets	<u><u>252 477 45</u></u>	<u><u>275 257 00</u></u>	<u>-</u>	<u><u>527 734 45</u></u>

Note 5 – Lease

The Fire Department leases the fire building from the City of White Cloud at an annual cost of \$1.

Note 6 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

Note 7 – Pension Plan

The Fire Department does not have a pension plan.

Note 8 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2005, the Fire Department made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Building	141 00	Auxiliary	141 00
Capital Acquisition	19 112 81	General	19 112 81
General	<u>194 55</u>	Budget Stabilization	<u>194 55</u>
Total	<u><u>19 448 36</u></u>	Total	<u><u>19 448 36</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
City of White Cloud	22 000 00	23 430 00	23 430 18	18
Township of Everett	44 694 00	44 694 00	45 254 32	560 32
Township of Lincoln	36 996 00	36 996 00	36 912 25	(83 75)
Township of Sherman	14 200 00	14 200 00	14 200 00	-
Township of Wilcox	24 783 00	24 783 00	24 885 83	102 83
Federal grant	-	86 467 00	86 467 00	-
State grant	-	1 750 00	1 749 14	(86)
Interest	427 00	427 00	439 06	12 06
Miscellaneous	900 00	5 900 00	5 134 41	(765 59)
Total revenues	144 000 00	238 647 00	238 472 19	(174 81)
Expenditures:				
Fire protection:				
Administrative Board:				
Per diem	3 500 00	3 500 00	3 620 00	120 00
Bookkeeper	7 000 00	7 000 00	6 245 70	(754 30)
Fire run reports	1 400 00	1 400 00	1 269 00	(131 00)
Supplies	700 00	700 00	576 29	(123 71)
Audit	1 200 00	1 800 00	1 800 00	-
Printing and publishing	150 00	150 00	72 00	(78 00)
Miscellaneous	2 050 00	1 450 00	625 38	(824 62)
Building and grounds:				
Supplies	150 00	150 00	457 90	307 90
Utilities	5 150 00	7 150 00	6 683 98	(466 02)
Repairs and maintenance	3 500 00	4 110 00	4 095 41	(14 59)
Miscellaneous	100 00	100 00	269 10	169 10
Fire Department:				
Salaries	4 450 00	4 450 00	4 296 40	(153 60)
Wages – firefighters	22 000 00	25 000 00	24 852 10	(147 90)
Supplies	8 250 00	45 457 00	44 654 22	(802 78)
Transportation	800 00	800 00	960 51	160 51
Maintenance	13 000 00	13 000 00	15 801 70	2 801 70
Miscellaneous	4 950 00	1 680 00	1 662 81	(17 19)
Training	2 000 00	2 000 00	1 710 00	(290 00)
Insurance and fringes:				
Social security	2 750 00	2 750 00	3 309 07	559 07
Insurance	17 000 00	22 000 00	21 505 93	(494 07)
Contingency	6 900 00	-	-	-
Capital outlay	17 000 00	76 000 00	75 565 00	(435 00)
Total expenditures	124 000 00	220 647 00	220 032 50	(614 50)
Excess (deficiency) of revenues over expenditures	20 000 00	18 000 00	18 439 69	439 69

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers in	-	-	194 55	194 55
Operating transfers out	<u>(20 000 00)</u>	<u>(18 000 00)</u>	<u>(19 112 81)</u>	<u>(1 112 81)</u>
Total other financing sources (uses)	<u>(20 000 00)</u>	<u>(18 000 00)</u>	<u>(18 918 26)</u>	<u>(918 26)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	(478 57)	(478 57)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>543 42</u>	<u>543 42</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>64 85</u></u>	<u><u>64 85</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE -- BUILDING FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	<u>2 000 00</u>	<u>9 500 00</u>	<u>7 519 77</u>	<u>(1 980 23)</u>
Total revenues	<u>2 000 00</u>	<u>9 500 00</u>	<u>7 519 77</u>	<u>(1 980 23)</u>
Expenditures:				
Fire protection:				
Supplies	<u>1 000 00</u>	<u>1 575 00</u>	<u>1 141 44</u>	<u>(433 56)</u>
Total expenditures	<u>1 000 00</u>	<u>1 575 00</u>	<u>1 141 44</u>	<u>(433 56)</u>
Excess (deficiency) of revenues over expenditures	<u>1 000 00</u>	<u>7 925 00</u>	<u>6 378 33</u>	<u>(1 546 67)</u>
Other financing sources (uses):				
Operating transfers in	<u>2 526 57</u>	<u>-</u>	<u>141 00</u>	<u>141 00</u>
Total other financing sources (uses)	<u>2 526 57</u>	<u>-</u>	<u>141 00</u>	<u>141 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>3 526 57</u>	<u>7 925 00</u>	<u>6 519 33</u>	<u>(1 405 67)</u>
Fund balance, April 1	<u>6 636 00</u>	<u>-</u>	<u>9 162 94</u>	<u>9 162 94</u>
Fund Balance, March 31	<u>10 162 57</u>	<u>7 925 00</u>	<u>15 682 27</u>	<u>7 757 27</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – AUXILIARY FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	<u>10 500 00</u>	<u>10 500 00</u>	<u>7 249 42</u>	<u>(3 250 58)</u>
Total revenues	<u>10 500 00</u>	<u>10 500 00</u>	<u>7 249 42</u>	<u>(3 250 58)</u>
Expenditures:				
Fire protection:				
Supplies	<u>11 300 00</u>	<u>11 300 00</u>	<u>4 836 13</u>	<u>(6 463 87)</u>
Total expenditures	<u>11 300 00</u>	<u>11 300 00</u>	<u>4 836 13</u>	<u>(6 463 87)</u>
Excess (deficiency) of revenues over expenditures	<u>(800 00)</u>	<u>(800 00)</u>	<u>2 413 29</u>	<u>3 213 29</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>(2 526 57)</u>	<u>(141 00)</u>	<u>2 385 57</u>
Total other financing sources (uses)	<u>-</u>	<u>(2 526 57)</u>	<u>(141 00)</u>	<u>2 385 57</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(800 00)</u>	<u>(3 326 57)</u>	<u>2 272 29</u>	<u>5 598 86</u>
Fund balance, April 1	<u>1 700 00</u>	<u>3 326 57</u>	<u>1 689 04</u>	<u>(1 637 53)</u>
Fund Balance, March 31	<u>900 00</u>	<u>-</u>	<u>3 961 33</u>	<u>3 961 33</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

BUDGETARY COMPARISON SCHEDULE – CAPITAL ACQUISITION FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	1 000 00	1 000 00	626 33	(373 67)
Miscellaneous	<u>8 500 00</u>	<u>8 500 00</u>	<u>8 393 34</u>	<u>(106 66)</u>
Total revenues	<u>9 500 00</u>	<u>9 500 00</u>	<u>9 019 67</u>	<u>(480 33)</u>
Expenditures:				
Capital outlay	<u>220 000 00</u>	<u>220 000 00</u>	<u>220 000 00</u>	<u>-</u>
Total expenditures	<u>220 000 00</u>	<u>220 000 00</u>	<u>220 000 00</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(210 500 00)</u>	<u>(210 500 00)</u>	<u>(210 980 33)</u>	<u>(480 33)</u>
Other financing sources (uses):				
Operating transfers in	<u>20 000 00</u>	<u>20 000 00</u>	<u>19 112 81</u>	<u>(887 19)</u>
Total other financing sources (uses)	<u>20 000 00</u>	<u>20 000 00</u>	<u>19 112 81</u>	<u>(887 19)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(190 500 00)	(190 500 00)	(191 867 52)	(1 367 52)
Fund balance, April 1	<u>195 000 00</u>	<u>195 000 00</u>	<u>196 067 12</u>	<u>1 067 12</u>
Fund Balance, March 31	<u><u>4 500 00</u></u>	<u><u>4 500 00</u></u>	<u><u>4 199 60</u></u>	<u><u>(300 40)</u></u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>
<u>Assets</u>				
Cash in bank	<u>15 682 27</u>	<u>7 000 00</u>	<u>2 323 48</u>	<u>3 961 33</u>
Total Assets	<u>15 682 27</u>	<u>7 000 00</u>	<u>2 323 48</u>	<u>3 961 33</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>15 682 27</u>	<u>7 000 00</u>	<u>2 323 48</u>	<u>3 961 33</u>
Total fund equity	<u>15 682 27</u>	<u>7 000 00</u>	<u>2 323 48</u>	<u>3 961 33</u>
Total Liabilities and Fund Equity	<u>15 682 27</u>	<u>7 000 00</u>	<u>2 323 48</u>	<u>3 961 33</u>

Total

28 967 08

28 967 08

-

28 967 08

28 967 08

28 967 08

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>
Revenues:				
Interest	-	194 55	-	-
Miscellaneous	<u>7 519 77</u>	<u>-</u>	<u>2 936 57</u>	<u>7 249 42</u>
Total revenues	<u>7 519 77</u>	<u>194 55</u>	<u>2 936 57</u>	<u>7 249 42</u>
Expenditures:				
Fire protection:				
Supplies	1 141 44	-	1 928 12	4 836 13
Capital outlay	<u>-</u>	<u>-</u>	<u>2 000 00</u>	<u>-</u>
Total expenditures	<u>1 141 44</u>	<u>-</u>	<u>3 928 12</u>	<u>4 836 13</u>
Excess (deficiency) of revenues over expenditures	<u>6 378 33</u>	<u>194 55</u>	<u>(991 55)</u>	<u>2 413 29</u>
Other financing sources (uses):				
Operating transfers in	141 00	-	-	-
Operating transfers out	<u>-</u>	<u>(194 55)</u>	<u>-</u>	<u>(141 00)</u>
Total other financing sources (uses)	<u>141 00</u>	<u>(194 55)</u>	<u>-</u>	<u>(141 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	6 519 33	-	(991 55)	2 272 29
Fund balances, April 1	<u>9 162 94</u>	<u>7 000 00</u>	<u>3 315 03</u>	<u>1 689 04</u>
Fund Balances, March 31	<u><u>15 682 27</u></u>	<u><u>7 000 00</u></u>	<u><u>2 323 48</u></u>	<u><u>3 961 33</u></u>

Total

194 55
17 705 76

17 900 31

7 905 69
2 000 00

9 905 69

7 994 62

141 00
(335 55)
(194 55)

7 800 07

21 167 01

28 967 08

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 6, 2005

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

We have audited the financial statements of the White Cloud Area Fire Department for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the White Cloud Area Fire Department accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the White Cloud Area Fire Department began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Fire Department is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated March 31, 2005.

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants